

Message Text

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TAGS: ECON, PINT, PO

SUBJECT: FINANCE MINISTER GIVES "POLITICAL" TV SPEECH
ON ECONOMY

1. IN LENGTHY FEBRUARY 26 TV SPEECH, FINANCE MINISTER
SALGADO ZENHA MADE FOLLOWING MAIN POINTS:

A. NATIONAL INDEPENDENCE: COUNTRY WILL NOT PASS FROM
COLONIZER TO COLONIZED. VASCO GONCALVES AND ROSA COUTINHO
SYSTEMATICALLY ATTEMPTED TO CAUSE DISINTEGRATION OF ECONOMY,
WHICH WOULD HAVE PERMITTED INSTALLATION OF SOVIET-STYLE
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DICTATORSHIP. ECONOMICALLY, DOMESTIC PRODUCTION SHOULD RE-

PLACE \$950 MILLION OF FOOD IMPORTS AND NATION MUST HALT FOREIGN "PILLAGING" OF ITS FISHING GROUNDS AND DISSIPATION OF ITS NATURAL RESOURCES.

B. ECONOMIC RECOVERY: ECONOMY SUFFERED GREAT LOSS IN 1975, BUT TECHNICIANS STILL ARGUE WHETHER DROP IN PRODUCTION WAS 3 OR 15 PERCENT. IN ANY CASE, 1974-5 FINANCIAL LOSSES OF STATE-OWNED PAPERS--\$40 MILLION--COULD HAVE BUILT 2,000 HOUSES. RECOVERY IS ALREADY UNDERWAY. SINCE JANUARY 1, BANK DEPOSITS HAVE GROWN BY \$400 MILLION; EMI-GRANT REMITTANCES ARE LIKELY TO REACH \$91 MILLION IN FEBRUARY AGAINST \$54 MILLION AVERAGE APRIL-DECEMBER 1975; BALANCE OF PAYMENTS IS IMPROVED THIS MONTH; AND FINANCIAL SITUATION HAS BEEN ALLEVIATED BY FOREIGN LOANS.

C. NATIONALIZATIONS AND INVESTMENTS: ALTHOUGH GOP HAD JUDGED THAT 65 PERCENT OF INDUSTRY HAS BEEN NATIONALIZED, CURRENT FIGURES INDICATE NATIONALIZED FIRMS ACCOUNT FOR ONLY 50 PERCENT OF INVESTMENT AND 23 PERCENT OF EMPLOYMENT IN INDUSTRY. NATIONALIZED ENTERPRISES WILL HAVE TO DEMONSTRATE THEIR PRODUCTIVE SUPERIORITY OVER PRIVATE SECTOR. GOP IS STUDYING \$12.3 BILLION, FIVE-YEAR (1976-80) INVESTMENT PROGRAM.

D. BASIC NECESSITIES: NEEDS OF PEOPLE FOR FOOD, CLOTHING, AND HOUSING ARE RECEIVING PRIORITY. SPECIAL CREDITS FOR BASIC SECTORS HAVE ALREADY BEEN ESTABLISHED. GOP WILL APPROVE DECREE TO REVIVE FISH CANNING INDUSTRY, INCLUDING INTERNAL PRICE CONTROLS AND AVOIDANCE OF UN-NECESSARY IMPORTS. ON FEBRUARY 25 COUNCIL OF MINISTERS APPROVED "EXPERIMENTAL" SCHEME OF HOME BUYERS' LOANS FOR FAMILIES WITH ANNUAL INCOMES OF LESS THAN \$1450 PER HEAD (\$5800 FOR FAMILY OF FOUR), ALLOWING THEM TO BUY \$18,000 HOUSE ON 25-YEAR LOAN, 5 PERCENT DOWN, \$90 A MONTH. GOP WILL SUBSIDIZE THIS PROGRAM AS WELL AS GREATER BURDEN OF PUBLIC HOUSING FOR THOSE UNABLE TO AFFORD LOAN PROGRAM.

2. COMMENT: MINISTER SALGADO ZENHA'S PRESENTATION WAS A SHARP, HARD-HITTING CAMPAIGN SPEECH ACCENTUATING POSITIVE AND IMPLYING THAT SOCIALISTS DESERVE CREDIT
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FOR PROGRESS THAT HAS BEEN MADE. HIS FREQUENT REFERENCES TO FAILURE OF GONCALVES' ADMINISTRATIONS THAT ALMOST LED TO "SOVIETTOID" GOVERNMENT INDICATED THAT ATTACK WAS DIRECTED PRINCIPALLY AT COMMUNISTS AND THEIR ALLIES. MINISTER TENDED TO DE-EMPHASIZE ECONOMIC PROBLEMS FACING PORTUGAL, AS IN HIS REFERENCE TO IMPROVED BALANCE OF PAYMENTS SITUATION AND TO INCREASE IN EMIGRANT REMITTANCES. HIS ONE MAJOR NEW ANNOUNCEMENT WAS LONG-TERM HOUSING FINANCING FOR LOWER INCOME SECTORS

OF THE POPULATION. THIS NEW PROGRAM SHOULD PROVIDE NEEDED
STIMULUS TO ECONOMY AND CONTRIBUTE SIGNIFICANTLY TO RESOLVING
PORTUGAL'S HOUSING SHORTAGE, BUT WILL IMPOSE HEAVY BURDEN ON
FINANCIAL SYSTEM.
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